

# TECHNICAL MEMORANDUM

## Utah Coal Regulatory Program

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#3651

OK

December 27, 2010

TO: Internal File

THRU: Daron Haddock, Title V Coal Program Manager/Task Manager JOH

FROM: Peter Hess, En Sci III, Reclamation Bond Estimate/Review

RE: PERMIT RENEWAL / UPDATE BOND CALCULATIONS, PacifiCorp /  
Energy West Mining Company, Deer Creek Mine, C/015/018, Task ID #3651

### **SUMMARY:**

The Permittee submitted an application to renew the Deer Creek Mine permit C/015/0018 to the Division on October 11, 2010. The current permit expires on February 7, 2011.

The Task ID #3651 application contains a revised direct cost estimate for re-vegetation because an acreage error was discovered between the Left Fork of Rilda Canyon and the active waste rock site for the Deer Creek Mine. These acreages had been trans-posed for each other. The reclamation cost estimate was also escalated to 2013, which is the date of the next mid-term permit review / reclamation cost estimate evaluation.

This memo will address the correction of the re-vegetation cost estimate / reclamation cost adjustment and the escalation of the 2008 cost estimate through 2013.

### **TECHNICAL ANALYSIS:**

## **RECLAMATION PLAN**

## **BONDING AND INSURANCE REQUIREMENTS**

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

### **Analysis:**

## **General**

### **Form of Bond**

The Division holds a **SURETY** reclamation bond in the amount of \$ 4,113,000 issued by the Travelers Casualty and Surety Company of America. The Travelers has an A.M. Best rating of "A+" as of September 30, 2010.

### **Determination of Bond Amount**

The Permittee estimates that, with the corrections made to the re-vegetation costs for the Left Fork of Rilda Canyon and the waste rock disposal area, the reclamation of the Main Mine facilities and the Rilda Canyon Portal Facilities can be completed for \$ 3,524,557.60 (2005 dollars). This amount was escalated to 2008, which was the year that the last mid-term permit review and re-evaluation of the reclamation cost was completed.

As the next mid-term permit review will take place in 2013, (every five years, about half way through the current permit term), the 2008 dollar amount was then escalated to 2013 using a 1.005 escalation factor. The newly calculated dollar amount is \$ 4,116,570.06.

The current amount of bond posted for the Deer Creek Mine is \$ 4,113,000.00.

The reclamation cost estimate exceeds the posted surety amount by \$ 3,570.06, which is a negative .0868 %. As this percentage is less than the allowable 5 % difference accepted by the Division, the posted bond amount of \$ 4,113,000.00 is adequate.

### **Terms and Conditions for Liability Insurance**

The Permittee provides general liability insurance coverage for all of the Energy West Mining Company Utah properties, as is required by the R645 Coal Mining Rules, i.e., R645-301-890.100, 890.200, 890.300 and 890.400.

The liability coverage is renewed annually, with the current coverage period extending from August 28, 2010 through August 28, 2011.

The identification number of the current policy is X0720A1A10.

### **Findings:**

The currently posted bond amount of \$ 4,113,000.00 is adequate to reclaim all disturbed areas of the Deer Creek Mine until 2013, which is the date of the next mid-term permit review for C/015/0018.

**RECOMMENDATION:**

The Division should approve this permit renewal for the Deer Creek Mine, C/015/0018.

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